

Stores

THE M. O'NEIL COMPANY, Akron

THE MAY COMPANY, Baltimore

THE MAY COMPANY, Cleveland

THE MAY COMPANY, Denver

THE MAY COMPANY, Los Angeles

FAMOUS-BARR COMPANY, St. Louis

**THE
MAY DEPARTMENT STORES
COMPANY**

Annual Report
to the
Stockholders

JANUARY 31, 1939

D I R E C T O R S

LOUIS D. BEAUMONT	TOM MAY
SAMUEL B. BUTLER	WILBUR D. MAY
JEROME DAUBY	CHARLES M. RICE
NATHAN L. DAUBY	ALFRED ROSE
ALVIN D. GOLDMAN	WALTER E. SACHS
LINCOLN GRIES	FRED Z. SALOMON
ROBERT H. GRIES	SYDNEY M. SHOENBERG
ROBERT LEHMAN	LEONARD STRAUSS
MORTON J. MAY	

O F F I C E R S

MORTON J. MAY	- - - -	<i>President</i>
LOUIS D. BEAUMONT	- -	<i>Vice-President</i>
SAMUEL B. BUTLER	- - - -	<i>Vice-President and Secretary</i>
JEROME DAUBY	- - - -	<i>Vice-President</i>
NATHAN L. DAUBY	- - - -	<i>Vice-President</i>
TOM MAY	- - - -	<i>Vice-President</i>
WILBUR D. MAY	- - - -	<i>Vice-President</i>
FRED Z. SALOMON	- - -	<i>Vice-President and Treasurer</i>
SYDNEY M. SHOENBERG	- -	<i>Vice-President</i>
LEONARD STRAUSS	- - -	<i>Assistant Secretary and Assistant Treasurer</i>
LEO J. WIECK	- - - -	<i>Assistant Secretary and Assistant Treasurer</i>

Appointed Vice-Presidents

HARMON S. AUGUSTE	J. J. BUELL
L. M. BODENHEIMER	B. L. STRAUSS
ALFRED TRIEFUS	

Transfer Agent

IRVING TRUST COMPANY,
New York, N. Y.

Registrar

LAWYERS TRUST COMPANY,
New York, N. Y.

St. Louis, March 24, 1939.

*To the Stockholders of
The May Department Stores Company:*

The twenty-ninth annual report of your Company is submitted herewith, including consolidated balance sheet at January 31, 1939, and consolidated surplus and profit and loss accounts for the year then ended.

Consolidated net income for the year, after provision of \$810,000.00 for federal taxes on income, amounted to \$3,809,877.14, equivalent to \$3.09 per share of capital stock outstanding (exclusive of shares held in the treasury) at the close of the year, compared with \$4,917,770.76, or \$3.99 per share for the previous year.

Dividends amounting to \$2.25 per share were paid during the current fiscal year, and the dividend of 75 cents per share normally payable on March 1st was paid on January 20, 1938 and was included in our statement for the previous fiscal year.

Net sales for the year amounted to \$98,411,263.45, compared with \$107,030,179.87 for the previous year, a decrease of \$8,618,916.42.

Adequate provision has been made for possible losses on all customers' notes and accounts receivable.

Inventories of merchandise at January 31, 1939, amounted to \$13,040,802.49 compared with \$14,324,383.82 at January 31, 1938, a decrease of \$1,283,581.33. At the close of the current fiscal year, your Company was obligated for no purchase commitments in excess of the usual requirements for normal operations.

Charges to consolidated income for the year, in the amount of \$759,382.18, have been made to provide for depreciation and amortization of buildings and leaseholds. At January 31, 1933, the carrying values of furniture, fixtures, delivery and other equipment were reduced to nominal sums of \$1.00 each, by charges to earned surplus, and the cost of subsequent additions have been charged as an expense, against earnings; consequently no provision has been made during the current year in respect of depreciation of these items. The net amount of additions so expensed during the year was \$320,595.37.

Current assets of your Company and its subsidiaries, at January 31, 1939, amounted to \$32,654,818.61, and current liabilities to \$5,009,899.56, or a ratio in excess of 6 to 1.

Total taxes for the year (exclusive of those included in cost of goods sold) amounted to \$2,679,060.02, equivalent to \$2.17 per share on the outstanding capital stock at January 31, 1939.

We are erecting a new branch store on the block bounded by Wilshire Boulevard, Fairfax Avenue, Sixth Street and Orange Grove Avenue in the City of Los Angeles, California. This store will be modern in every respect and should be ready for occupancy within the present year. Our policy continues to be one of conservative expansion and we have reason to believe that this new store will be a successful investment.

It is with deep regret that I announce the death of our esteemed director and honorary vice-president, Louis M. Monheimer. He had been associated with our Company for many years, and, although inactive in recent years, he contributed much to our development. His passing is keenly felt by all his associates who recognized his ability and leadership.

I wish to express my sincere appreciation of the loyal cooperation of directors, officers and employees.

Respectfully,

MORTON J. MAY,
President.

NEW YORK
HARTFORD
CLEVELAND
DETROIT

CHICAGO
ST. LOUIS
MINNEAPOLIS
LOS ANGELES

CORRESPONDENTS IN
OTHER CITIES IN U. S. A.

RESIDENT PARTNER
E. H. WAGNER, C. P. A.

TOUCHE, NIVEN & CO.

CERTIFIED PUBLIC ACCOUNTANTS

ARCADE BUILDING

ST. LOUIS

AFFILIATED WITH

GEORGE A. TOUCHE & CO.
LONDON, ENGLAND

GEORGE A. TOUCHE & CO.
CANADA (7 OFFICES)

TOUCHE, NIVEN & CO.
PARIS, FRANCE

MARCH 24, 1939.

TO THE PRESIDENT AND BOARD OF DIRECTORS
OF THE MAY DEPARTMENT STORES COMPANY:

We have made an examination of the consolidated balance sheet of The May Department Stores Company and its subsidiary Companies as at January 31, 1939, and of the consolidated statements of profit and loss and surplus for the year then ended. In connection therewith, and in the manner and to the extent which we considered adequate in view of the existing system of internal control, we examined or tested accounting records of these Companies and other supporting evidence and obtained information and explanations from officers and employees of these Companies; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

In our opinion, based upon such examination, the accompanying consolidated balance sheet and related consolidated statements of profit and loss and surplus, on the basis set forth therein, fairly present, in accordance with accepted principles of accounting consistently maintained by the Companies during the year under review, their consolidated financial position at January 31, 1939 and the consolidated results of their operations for the year then ended.

TOUCHE, NIVEN & Co.

THE MAY DEPARTMENT

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AND SUBSIDIARY

CONSOLIDATED BALANCE S

ASSETS

CURRENT ASSETS:

Cash in banks and on hand.....	\$ 8,071,432.75	
United States Government obligations—at cost less amortization of premium (market quotation \$374,937.50).....		364,688.82
Customers' notes and accounts receivable:		
Regular retail, less reserves of \$627,502.96.....	\$ 7,273,656.53	
Instalment (a portion of which is due after one year), less reserves of \$394,959.53.....	3,504,869.67	
		10,778,526.20
Inventories:		
Merchandise on hand—on the basis of cost or market, whichever is lower, as determined by the retail inventory method	\$12,223,812.55	
Merchandise in transit—at cost.....	816,989.94	
		13,040,802.49
Other current assets:		
Due from officers and employees.....	\$ 25,893.01	
Sales tax stamps and tokens.....	102,564.56	
Sundry debtors	270,910.78	
		399,368.35
		<u>\$32,654,818.61</u>

OTHER ASSETS:

Land and buildings not used in store operations—at cost less depreciation of \$112,868.92.....	\$ 767,380.87	
Miscellaneous investments—at cost less reserves of \$7,993.00.....	135,329.49	
Due from officers and employees (collateral held on balances aggregating \$27,090.42)	29,310.05	
Deposits with mutual and reciprocal insurance groups.....	12,749.54	
Miscellaneous balances	118,218.16	
		1,062,988.11

FIXED ASSETS:

Land, buildings and leaseholds on the basis of cost less depreciation and amortization of \$8,842,586.36.....	\$24,890,160.74	
Established amount of leases acquired subsequent to organization of the Company (\$1,026,036.37 on the basis of original amount of \$3,017,700.00 less amortization of \$1,991,663.63) ..	1.00	
Furniture, fixtures and equipment (\$4,402,316.00 on the basis of cost less depreciation).....	1.00	
Delivery equipment (\$146,719.05 on the basis of cost less depreciation)	1.00	
		24,890,163.74

DEFERRED CHARGES:

Prepaid insurance, taxes, licenses, etc.....	\$ 397,045.92	
Inventory of supplies.....	200,280.59	
Mortgage discount and expense.....	23,157.89	
		620,484.40
GOODWILL, TRADE-NAMES, ETC.		1.00

\$59,228,455.86

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CE SHEET, JANUARY 31, 1939

STATEMENT No. 1

LIABILITIES

CURRENT LIABILITIES:

Accounts payable:

Trade creditors	\$ 934,265.72	
Trade creditors for merchandise in transit	791,820.23	
		\$ 1,726,085.95

Accrued liabilities:

Salaries, wages, bonuses and commissions	\$ 853,223.80	
Federal taxes on income	801,500.00	
Other taxes	680,062.04	
Interest	77,522.44	
Miscellaneous	43,175.29	
		2,455,483.57

Other current liabilities:

Mortgage instalments payable within one year	\$ 326,250.00	
Reserve for outstanding trading stamps and coupons	287,748.59	
Sundry creditors	214,331.45	
		828,330.04

RESERVES:

For federal normal income tax on deferred profit on installment sales	\$ 256,081.28	
For insurance and other contingencies	71,873.09	
		327,954.37

LONG-TERM DEBT:

Mortgages payable, due 1939 to 1947	\$ 5,461,850.00	
Less amounts due within one year included in current liabilities ..	326,250.00	
		5,135,600.00

CAPITAL STOCK AND SURPLUS:

Capital stock:

Authorized, 2,500,000 shares, par value \$10.00 each.	
Issued (including scrip equivalent to 20 shares), 1,367,352 shares	\$13,673,520.00

Surplus, from Statement No. 2:

Earned surplus	\$26,413,187.86	
Capital surplus	10,037,854.07	
		36,451,041.93

Less treasury stock, 136,956 shares, at par	\$50,124,561.93	
	1,369,560.00	
		48,755,001.93

\$59,228,455.86

NOTES:

Of the 56,000 shares of capital stock reserved in 1926 for sale to employees, there remain 30,426 shares available for subscription at \$55.00 per share.
At January 31, 1939, the estimated cost of uncompleted construction and furnishings incident to the new store being erected in Los Angeles, California, approximated \$1,620,000.00. Only the cost of completed construction has been taken into account at that date.

**THE MAY DEPARTMENT STORES COMPANY
AND SUBSIDIARY COMPANIES**

CONSOLIDATED SURPLUS

YEAR ENDED JANUARY 31, 1939

EARNED SURPLUS :

Balance, February 1, 1938..... \$25,371,655.97

Add:

Net profit for the year ended January 31, 1939, from Statement No. 3..... 3,809,877.14

\$29,181,533.11

Deduct:

Cash dividends Nos. 108 to 110 inclusive paid on June 2, September 1 and
December 1, 1938 respectively, at the rate of 75 cents per share on each
date 2,768,345.25

Balance, January 31, 1939, to Statement No. 1 \$26,413,187.86

CAPITAL SURPLUS :

Balance, January 31, 1939, to Statement No. 1 \$10,037,854.07

TOTAL SURPLUS, January 31, 1939..... \$36,451,041.93

There was no change in capital surplus account
during the year.

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STATEMENT No. 3

THE MAY DEPARTMENT STORES COMPANY
AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS

YEAR ENDED JANUARY 31, 1939

NET SALES (including those of leased departments).....	\$98,411,263.45
DEDUCT COST OF GOODS SOLD, SELLING, OPERATING AND ADMINISTRATIVE EXPENSES, exclusive of items listed below.....	90,486,593.40
	<u>\$ 7,924,670.05</u>
DEDUCT:	
Maintenance and repairs.....	\$ 464,110.33
Depreciation and amortization of buildings and leaseholds.....	759,382.18
Net cost of additions to furniture, fixtures, delivery and other equipment	320,595.37
Taxes, other than those included in cost of goods sold and federal taxes on income.....	1,841,646.63
Interest on mortgage and other indebtedness and amortization of mortgage discount and expense.....	281,454.71
	<u>3,667,189.22</u>
Total (exclusive of amounts included in non-trading items below)	<u>\$ 4,257,480.83</u>
NON-TRADING ITEMS—NET:	
Interest on United States Government obligations, less amortiza- tion of premium.....	\$ 5,499.56
Dividends and other interest.....	42,096.54
Net profit from land, buildings and leaseholds not used in store operations	59,410.15
	<u>\$ 107,006.25</u>
DEDUCT:	
Loss from demolition of building not used in store operations	\$ 22,489.16
Net loss from sale of investments and fixed assets.	362.61
	<u>\$ 22,851.77</u>
	84,154.48
	<u>\$ 4,341,635.31</u>
NON-RECURRING INCOME—refund of services purchased	278,241.83
	<u>\$ 4,619,877.14</u>
PROVISION FOR FEDERAL TAXES ON INCOME.....	810,000.00
NET PROFIT, transferred to earned surplus, Statement No. 2.....	<u>\$ 3,809,877.14</u>

NOTE: The book figures of furniture, fixtures, delivery and other equipment (aggregating \$6,519,431.40) were reduced to nominal sums of \$1.00 each and deferred expenses (amounting to \$202,100.45) were written off by charges to earned surplus during the year ended January 31, 1933 in accordance with resolutions passed by the Board of Directors. Therefore, no deductions have been made in the above statement for depreciation and amortization in respect thereof. Had deductions of this nature been made and the net cost of minor additions, during the year, to furniture, fixtures, delivery and other equipment been capitalized instead of being charged against earnings in the above statement, the consolidated net profit would have been \$3,514,168.64.